



NC OSC Policy 101.3

Prepaid Items Policy

Policy Area: Accounting & Financial Reporting	Effective Date: 07/1/1995
Policy Sub Area: Account Classification	Last Revision Date: 03/1/2007
Authority: GASB Codification Section 1600; AICPA Audit & Accounting Guide: State and Local Governments (Chapter 8)	Policy Owner/Division: Statewide Accounting
<u>Policy:</u> Prepaid items are payments for services that benefit more than one accounting period, such as insurance, rent, and subscriptions. In governmental funds (general, special revenue, capital projects, and permanent), which follow the modified accrual basis of accounting, prepaid items should be accounted for using the purchases method (i.e., considered expenditures when purchased). Balances of prepaid items in governmental funds should not be reported as assets.	
<u>Procedures</u> NA	
<u>Accounting Guidance</u> In the government-wide, proprietary fund (enterprise and internal service), and fiduciary fund financial statements, which follow the accrual basis of accounting, prepaid items should be reported as assets and allocated to the period benefited.	
<u>Related Documents (Memos/Forms)</u> Refer to the Chart of Accounts: Prepaid Items 119100	
Revision History	

Date	Description
3/1/2007	Changed to the purchases method.